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SECURITY COUNCIL
Fifty-fourth year

THE SITUATION IN BOSNIA AND HERZEGOVINA

Letter dated 19 April 1999 from the Permanent Representative of Spain to the United Nations addressed to the Secretary-General

On instructions from my Government and with the request that it be issued as an official document of the General Assembly, under item 42 of the preliminary list of the fifty-fourth session, and of the Security Council, I have the honour to transmit to you herewith the Declaration of the Peace Implementation Council, adopted following the Madrid meeting on 15 and 16 December 1998 in order to review progress in implementing the Peace Agreement in Bosnia and Herzegovina.

(Signed) Inocencio F. ARIAS

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Annex

[Original: English]

DECLARATION OF THE PEACE IMPLEMENTATION COUNCIL,
MADRID, 16 DECEMBER 1998

1. We, the members of the Peace Implementation Council met in Madrid on 15/16 December, where we reviewed progress in implementing the Peace Agreement in Bosnia and Herzegovina. We identified what still needed to be done to make the peace self-sustaining, and agreed on a work programme to achieve this. We approved the following Declaration, and an accompanying detailed operational Annex.

2. We note with satisfaction that Bosnia and Herzegovina has taken great strides forward in the last year. The basic institutions of the State, both political and economic, have been established. Key laws, including on foreign investment, privatisation and property, are now in place. Freedom of movement across the country has substantially improved. Fundamental reform of the media is well underway, and is helping to create a more democratic society. Elections have demonstrated a trend towards growing pluralism and tolerance.

3. This success is encouraging. A lasting peace within Bosnia and Herzegovina is starting to take root. We re-affirm that the Peace Agreement is the basis of freedom and democracy in Bosnia and Herzegovina and urge its people to join hands with us in implementing it in full. We remain determined to build a self-sustaining peace in Bosnia and Herzegovina together on the basis of the Peace Agreement.

4. But there is still much work to be done. Bosnia and Herzegovina's structure remains fragile. Without the scaffolding of international support, it would collapse. In order to create a self-sustaining state of BiH, action is needed in particular on: inter-ethnic tolerance and reconciliation; the development of effective common institutions with powers clearly delineated from those of the Entities; and an open and pluralistic political life. The growth of organised crime also represents a serious threat to BiH, and is completely incompatible with BiH's integration into Europe.

5. Following the end of the 'consolidation period', the next two years will be vital in strengthening the peace process and building democratic and market-oriented institutions, with the authorities in BiH increasingly assuming greater responsibility for the functions now undertaken or co-ordinated by the international community. We recognise the continued need for an international presence in Bosnia and Herzegovina - both civil and military - to help build the peace. We express our gratitude to the men and women of SFOR for their service in the cause of peace. SFOR's presence continues to remain essential - both to keep the peace and to provide the secure environment needed for civilian implementation. The Council also re-confirms its determination to apply conditionality to international reconstruction assistance, both by applying positive incentives and excluding non-compliant actors.

6. We say to everyone in Bosnia and Herzegovina: yours is now one of the most assisted countries in the world. International assistance is at its height. It will inevitably begin to reduce in the near future. Bosnia and Herzegovina must use the time that remains to prepare for life without total reliance on foreign aid, and to face up to the challenge of transforming the economy to generate jobs and a better standard of living. This means abandoning the statist economic attitudes of the past, pressing ahead with privatisation and creating an environment which encourages enterprise and allows the economy to flourish, and in which the rule of law is respected. This also requires a greater degree of commitment and co-operation and a more responsible attitude from the authorities of BiH.

7. We reaffirm our conviction that those indicted for war crimes must be brought to justice. We welcome the transfer of indictees to The Hague, and urge all authorities in Bosnia and Herzegovina and other relevant countries to co-operate fully with the ICTY.

8. We call on Croatia and the FRY to implement in full their commitments under the Peace Agreement and to fully respect BiH's independence and sovereignty.

9. Bosnia and Herzegovina must become a modern democratic country, where all citizens are equal before the law, destined to be an integral member of the European family. It must also be a country in which

historical, cultural, linguistic and religious traditions are valued and respected, where diversity is a source of strength not division.

10. During the next crucial period we will continue to encourage the return of refugees and displaced persons by fostering a political, economic and security environment conducive to returns; strengthen Bosnia and Herzegovina internally and externally; and support stronger ties between Bosnia and Herzegovina and European institutions.

11. We agreed to press ahead with refugee and displaced person returns. We recall the too long denied right of refugees and displaced persons freely to return to their homes of origin and to have restored to them property of which they were deprived in war. We remain gravely concerned about the frequency of violent incidents in parts of Bosnia and Herzegovina, related to refugee return and to general criminality, and call on all concerned to act in accordance with the law and the Peace Agreement. We call for a re-doubling of efforts to create the conditions for a large number of returns in 1999. In particular, we:

- recall the unfulfilled obligation of the Parties under Annex 7 of the Peace Agreement to co-operate with UNHCR and to create suitable conditions for return;
- insist that the parties establish the conditions necessary for an effective returns process;
- note that many tens of thousands of Bosnians have so far expressed a wish to return home immediately to minority areas, and endorse the Reconstruction and Return Task Force (RRTF) action plan for 1999, which sets out an intensive programme to address the three key issues of space, security and sustainability and includes specific sector plans such as a substantial information campaign;
- undertake to provide the appropriate funding, commitment and resources needed for that purpose;
- welcome the high degree of co-ordination ensured by the plan, as well as, in particular, the intention of UNMIBH and SFOR to cooperate in its implementation to the maximum extent possible within their mandates.

12. Simultaneously, it is also necessary to create the right environment to make returns sustainable, by strengthening the country both internally and externally. A great deal of the physical infrastructure of the country has been repaired. We agree to focus on inculcating the principles that underpin a self-sustaining free market economy and which are vital to any free and democratic society - the rule of law, above all, and the institutions to uphold it.

We are determined to see the inner core of BiH strengthened by building the rule of law, reinforcing the common institutions, creating a self-sustaining market economy and accelerating democratisation.

12.1 The Rule of Law: We consider the establishment of the rule of law, in which all citizens have confidence, as a prerequisite for a lasting peace, and for a self-sustaining economy capable of attracting and retaining international and domestic investors. We resolve that a top priority for 1999 will be to build the rule of law in Bosnia and Herzegovina. We will work to achieve this through a thorough programme of judicial reform, including:

- the creation of an independent, impartial and multi-ethnic judiciary;
- the establishment of judicial institutions at the state level in accordance with the opinion of the Venice Commission, including an institution to deal with criminal offences by BiH public officials in the course of their duties;
- strengthening prosecution of organised crime, return-related violence, corruption and other serious criminality;
- faster police restructuring, including the establishment of multi-ethnic, professional police forces;
- rationalising and reinforcing the institutions for human rights protection;
- strengthening the Constitutional Court;
- better public information about the rights of citizens and legal assistance;
- developing and implementing an equitable mechanism to enforce legal rulings.

12.2 Institutions: Strengthening the institutions, especially the common institutions, is also a vital component of any effectively functioning state. The main institutions now exist at the Bosnia and Herzegovina level. But they do not yet work efficiently. Remedying this problem will be a central plank of our work in the coming year, and will go hand in hand with efforts to entrench the rule of law. It will be achieved by:

- ending 'parallel' institutions;
- immediate and decisive efforts by the Council of Ministers to improve its structures;
- the creation of a professional, apolitical civil service;
- the adoption, as soon as possible, of further laws necessary for the establishment and functioning of existing and other necessary institutions.

12.3 Self-sustaining economy: It is now essential to tackle, as a matter of urgency, the task of transforming Bosnia and Herzegovina's economy in 1999 to make it capable of surviving and prospering with reduced foreign aid. We agree a package of measures to:

- pursue stability-oriented macro-economic policies under the present stand-by agreement with the IMF;
- accelerate the establishment of a market economy;
- develop Bosnia and Herzegovina economy as one single economic space based on EU standards;
- install the legal and regulatory infrastructure necessary for a newly emerging, free market society;
- privatise, in a transparent and apolitical manner, state-owned industries, banks, as well as small businesses and public utilities;
- reform payments systems;
- establish properly functioning capital markets and banking institutions;
- fight against corruption, fraud and fiscal evasion;
- create adequate and sustainable conditions for the development of small and medium enterprises and stimulate foreign and domestic investments in the country.

12.4 Democratisation: Democracy is taking root in Bosnia and Herzegovina; but it needs to be reinforced at every level. We pledge to work together to achieve this - to give citizens real control over their own lives, with decisions that affect them taken as close to the citizen as possible. We pledge to work to create a culture of open debate in which different views and traditions are respected, from the education system to the parliament chamber. We aim to do this by:

- working with the people of BiH and their representatives to develop a new electoral law which will promote a democratic and multi-ethnic political process and make the elected officials accountable to the voter;
- increasing transparency in relations between Entities and their administrative units, including a clear delineation of their respective responsibilities;
- furthering media reform, to promote a free exchange of ideas and opinion, including by the establishment of a joint inter-Entity Annex 9 Public Broadcasting Corporation across the country which will respect the cultural identities of the constituent peoples and others;
- placing a major emphasis on education at all levels, to ensure that the children of Bosnia and Herzegovina are given the best chance of a brighter future;
- following judgements by the Constitutional Court on possible changes to the Entities' constitutions to bring them in line with the Bosnia and Herzegovina Constitution, to protect the rights of all the constituent peoples;
- promoting civil society and the growth of the voluntary sector in Bosnia and Herzegovina.

13. The outer ring - a more secure Bosnia and Herzegovina: We also intend to strengthen the 'outer ring' of the country by:

- working, in co-operation with SFOR and the OSCE, with the armed forces and Entity and State governments to maintain military stability, increase co-operation and confidence between the Entity Armed Forces, nurture stronger joint military institutions, reduce defence expenditure, increase professionalism, and remove the military from inappropriate involvement in the political process;
- taking steps together with the Presidency and the Entities towards establishing a common security policy and a State dimension for defence. As part of this, the Standing Committee on Military Matters (SCMM) is to be strengthened with respect to the Constitution;
- working and co-operating fully with the OSCE in Article II confidence-building measures and working closely with relevant security institutions and organisations;
- establishing a Bosnia and Herzegovina Border Service at the state level with the appropriate legal foundation to control the frontiers of the country, as envisaged in the Peace Agreement. This force might in due course also carry out other work, such as drug enforcement, diplomatic protection and protection of state buildings, and investigation work as a partner to Europol and Interpol;
- pressing for faster progress in establishing normal and legitimate relations without preconditions with Bosnia and Herzegovina's neighbours, with clearly demarcated borders and full respect for Bosnia and Herzegovina's territorial sovereignty;
- working with the parties to reinforce the progress made in CSBM and arms control and to conclude, as quickly as possible, a further agreement enhancing regional security and reduction of military resources, in line with Annex 1B of the Peace Agreement.

14. As well as strengthening Bosnia and Herzegovina internally and externally, we agreed to work to strengthen ties between Bosnia and Herzegovina and Europe. We all share the aspirations of the people of Bosnia and Herzegovina for the country to integrate more closely with the European family of nations and institutions. Europe is Bosnia and Herzegovina's future. We welcome the European Union's intention to develop further its relations with BiH in the political and economic fields, which will contribute to the stability of the country and the co-operation of the parties in BiH. We will also promote closer ties with Europe by working to ensure that Bosnia and Herzegovina meets the standards for Council of Europe membership in time for it to be in a position to join as soon as possible and supporting the efforts of the EU/BiH Consultative Task Force to develop BiH's administrative and legislative institutions.

15. The role of the High Representative: We re-affirm our strong support for the High Representative and his role, under the Peace Agreement, as the final authority in theatre in interpreting the civilian aspects of the Agreement, and, in particular, as the co-ordinator of the activities of the civilian organisations and agencies in Bosnia and Herzegovina. We support the High Representative's expansion of his consultation and co-ordination through the PIC Steering Board with other co-ordinating bodies in his capacity as the senior representative of the international community in BiH. We fully endorse the broad and substantial powers given to the High Representative at the Bonn Peace Implementation Council. Without the use of that authority in the last twelve months, less progress would have been achieved. We recognise the necessity to consolidate the High Representative's ability to make rapid progress, especially in the field of the economy, as well as his ability to fully enforce his decisions. In order to enable the High Representative to carry out his agreed actions, we acknowledge the need to ensure timely and adequate funding of his Office.

16. We welcome the Parties' affirmation of their commitment fully to implement the programme set out in this Declaration and Annex.

Annex to the Madrid Declaration of the Peace Implementation Council

[Original: English]

REINFORCING PEACE IN BOSNIA AND HERZEGOVINA - THE WAY AHEAD

ANNEX: THE PEACE IMPLEMENTATION AGENDA

Introduction

The attached Annex elaborates on the peace implementation agenda outlined in the accompanying Madrid Declaration. It charts - in detailed operational terms - the main tasks in the coming period both for the international community and above all for the local parties, working closely together, towards our common goal: the full implementation of the Peace Agreement and the creation of a self-sustaining peace in Bosnia and Herzegovina. The declaration and this accompanying Annex are equally valid.

The Council reaffirms the Conclusions of the Bonn Peace Implementation Council of 10 December 1997 and the Luxembourg Ministerial meeting of the Steering Board of 9 June 1998.

Madrid, 16 December 1998

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Annex to the Madrid Declaration of the Peace Implementation Council

I. RETURN OF REFUGEES AND DISPLACED PERSONS

1. The Council reaffirms the right of all refugees and displaced persons freely to return to their homes of origin and to have restored to them property of which they were deprived in the war.

2. The Council welcomes the over 140,000 returns to and within BiH that have taken place in 1998. But only 35,000 to 40,000 of these were minority returns. The Council strongly regrets that this number was much lower than anticipated. There remain almost 31,000 refugees from BiH in Croatia, 210,000 refugees from BiH in the Federal Republic of Yugoslavia (FRY), as well as some 130,000 refugees in Western Europe. And there are some 860,000 displaced persons in BiH.

3. The Council is resolved to support every effort to create the conditions for a major step forward on returns to own homes in 1999 for those who wish to exercise this right

4. The Council takes the view that large-scale returns require a more assertive approach and greater commitment by the local authorities, supported by the international community. It denounces the wanton obstructionism by many local officials at all levels. It strongly condemns violence associated with returns as crimes against peace, and urges that those responsible be brought to justice.

5. The Council recalls the unfulfilled obligations of the parties under Annex 7 of the Peace Agreement to create suitable conditions for return in co-operation with UNHCR.

6. The Council notes that many tens of thousands have so far expressed a wish to return home immediately to minority areas.

7. The Council notes the disappointingly small numbers of returns to RS. It urges the authorities in the RS to create the conditions to make returns possible. It is also notes the disappointing level of returns within the Federation, and calls on the authorities there to live up to the commitments which they have made. It draws particular attention to the importance of returns to Sarajevo as the capital of BiH, with its obligation to set a positive example for the rest of the country.

8. The Council welcomes the fact that a comprehensive Reconstruction and Return Task Force (RRTF) network now exists on the ground. The RRTF operates across BiH. It has a counterpart in Croatia. It has developed a Plan of Action for 1999. Recognising that the maintenance of a secure environment is essential for successful refugee return, the Council welcomes SFOR's intention to provide the assistance necessary to support, within its mandate, the intensified programme of refugee return set out above. It notes that the most successful returns have taken place in the areas, such as Brcko and Central Bosnia, where SFOR has been most closely involved in the planning and implementation. The Council welcomes the establishment of the RRTF/BiH Consultation Group, which provides a high-level link between the RRTF and the BiH authorities.

9. The Council attaches crucial importance to making major progress in returns, especially minority returns, in 1999 by:

- endorsing the RRTF action plan for 1999, which sets out an intensive programme to address the three key issues of space, security and sustainability, and includes specific sector plans such a substantial information campaign; and undertaking to provide funding for it;

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- requesting the RRTF to ensure that refugees returning from Western Europe and elsewhere be given the opportunity to participate fully in all appropriate projects within the plan;

- working with the full support of UNMIBH and SFOR to implement the plan, to help create and sustain secure conditions generally, and to offer full support in promoting returns especially in RRTF priority areas.

10. In this context, the Council welcomes the UNMIBH Strategy on Return and Recruitment of Minority Police endorsed by the RRTF in September. It calls upon all concerned to co-operate fully with its implementation by:

- promoting returns to key cities - especially Sarajevo as the capital of BiH, and to Mostar and Banja Luka, and implementing in full their relevant obligations;

- urging the removal of all legislative and administrative obstacles to return, establishing and implementing property and housing legislation, and other legislation necessary for progress in minority returns, and encouraging the High Representative to take appropriate action against those who obstruct this process;

- by implementing the confidence building measures set out in Annex 7 of the Peace Agreement; and facilitating assessment visits of displaced persons to their homes throughout Bosnia and Herzegovina without conditions;

- forging a direct link between financial assistance and co-operation on returns;

- promoting by all possible means a multi-ethnic workforce, free of all forms of discrimination.

11. The Council recognises the regional dimensions of return as set out in the UNHCR Regional Strategy presented at Luxembourg and in the reports presented to the Humanitarian Issues Working Group of the Council on 20 November. The Council welcomes the strategy set out therein (which outlines four sustainable solutions, namely voluntary return to pre-conflict homes as the preferred solution, as well as local integration, resettlement and relocation), and calls upon the parties to co-operate in its implementation. The Council welcomes the strengthened links between the RRTF and the Return Facilitation Group, its counterpart in Croatia.

12. Special Envoys in municipalities: The Council endorses the High Representative's wish to speed up implementation of the Peace Agreement at the local level. It notes the central role of municipal co-operation in fostering returns. The Council notes that the High Representative's decision to send a Special Envoy to Drvar following the violence against minority returnees and the international community there in April has proved helpful.

- The Council supports the High Representative's decision to expand this initiative by deploying Special Envoys more widely, but based strictly on an urgent local requirement in order to avoid fostering a climate of dependency on the international community.

- The Council urges governments to make available suitable personnel to the High Representative for deployment if necessary, as envisaged in articles 74 and 76 of the Luxembourg Declaration of the Ministerial meeting of the Steering Board. It is grateful to those governments which have made personnel available for these assignments so far. The Council also

welcomes the co-operation between the High Representative, the ECMM and the OSCE on this issue.

13. The Council is fully aware of the close link between progress in returns and progress in other crucial areas such as the rule of law and economic reconstruction. It makes clear its intention to support the High Representative in tackling any bureaucratic and political obstructions to returns by the local authorities. It also acknowledges that returnees need jobs, and a safe environment reliably policed. As this document makes clear, these objectives are at the top of the international community's agenda for next year. But the Council makes clear that refugee and displaced person returns and fulfilling these other objectives must proceed in parallel.

Annex to the Madrid Declaration of the Peace Implementation Council

II. RULE OF LAW AND HUMAN RIGHTS

1. Without the rule of law and an independent and impartial judiciary, there can be no future for Bosnia and Herzegovina as a modern, prosperous European nation. No safeguards for the people of either Entity. No prospect of large-scale investment from outside. No chance of closer association with the European institutions. Building the rule of law, founded on an independent judiciary and a reliable police force, will be a top priority for 1999.

2. Judicial reform: The Council emphasises the importance of intensified judicial reform efforts, co-ordinated by the High Representative, to support the efforts of the authorities in BiH. In 1999, it urges the High Representative to further develop a comprehensive judicial reform strategic plan, identifying short and longer-term priorities, in consultation with the authorities, the Council of Europe, OSCE, UNMIBH and other organisations. It welcomes the establishment of UNMIBH's Judicial System Assessment Programme to examine technical, institutional and political impediments to judicial reform, and looks forward to its full integration within the High Representative's judicial reform strategic plan. It also welcomes the co-operation of the Council of Europe, OSCE and other agencies in a co-ordinated programme of judicial restructuring and training. The Council calls upon all international and non-governmental organisations, as well as governments and donors able to support judicial reform in BiH, to co-operate fully with the High Representative in the development and implementation of the plan.

3. Such a plan will include, among other things:

- the adoption, by 30 June 1999, of legislation to achieve an independent and impartial judiciary, focusing on judicial and prosecutorial appointments, adequate salaries and objective standards for appointment of judges and prosecutors, consistent with those of European democratic practice, and the promotion of a multi-ethnic judiciary throughout BiH;

- adoption of judicial and prosecutorial codes of ethics as well as the establishment of a disciplinary and dismissal system based on these standards by 30 June 1999;

- a strengthening of the role of Entity-level prosecutors and their de-politicisation;

- training of legal professionals through the establishment of Judicial Training Centres as well as through the provision of supporting materials and resources;

- improving access to justice by strengthening local law centres, and better public information about the rights of citizens and the availability of legal assistance;

- the establishment of necessary structures at BiH State and Entity levels to fulfill the requirements of the respective Constitutions, including the creation, in accordance with the opinion of the Venice Commission, of judicial institutions at the State level, whose creation meets an established constitutional need, to deal with criminal offences perpetrated by BiH public officials in the course of their duties, and with administrative and electoral matters;

- strengthening the BiH Constitutional Court;

- developing and strengthening enforcement mechanisms for legal rulings;

- the immediate elimination of the dual court system in the Herzegovina-Neretva Canton, through full implementation of the Laws establishing an integrated judiciary for this Canton, including the City of Mostar.

4. Progress in inter-Entity judicial co-operation, including the signing of a Memorandum of Understanding on Inter-Entity Legal Assistance and the establishment of the Inter-Entity Legal Commission, must be taken forward by the adoption and implementation of formal legislation, by 31 December 1999, to ensure that legal material necessary for fair and efficient judicial proceedings in each Entity are possible. Proper investigation, prosecution and trial of serious crime must be strengthened in both Entities and supported by full implementation of the Memorandum of Intent on inter-Entity co-operation. The Inter Entity Judicial Commission must be strengthened and made into an effective mechanism for Inter-Entity co-operation on legal matters.

5. Human rights institutions: Bosnia and Herzegovina will not be accepted as a modern, democratic European state until all its citizens enjoy full protection of their human rights, including freedom from discrimination. The credibility of Bosnia and Herzegovina's application for membership in the Council of Europe requires full implementation of the decisions and recommendations of the Annex 6 and 7 institutions, as well as the enforcement of the decisions of its own courts.

The Council:

- demands immediate and full implementation of all decisions that have been issued by the Human Rights Chamber and the Commission for Real Property Claims, as well as compliance with the reports of the Ombudsperson and Federation Ombudsmen, and the application of standards set forth in the European Convention by an independent judiciary;

- urges the relevant authorities to take the necessary steps to make the decisions of the Chamber readily available to the Courts and to adopt implementing legislation for decisions of the Commission for Real Property Claims;

- calls for the durable appointment and full participation of State and Entity agents to the Human Rights Commission, including the immediate appointment of a Republika Srpska agent;

- expects the responsible authorities to assume their financial responsibilities to these institutions as required by the GFAP;

- calls for the establishment of the office of the Republika Srpska Ombudsperson, in accordance with the recommendations of the Venice Commission, without any further delay.

6. The Council welcomes the adoption of essential property legislation facilitating return in Republika Srpska, and commends the National Assembly and the High Representative and his staff for their efforts to help bring this about. It expects the authorities in Republika Srpska to implement it fully. The Council expects both Entities to undertake regular reviews of their legal and administrative regimes concerning property to facilitate the implementation of Annex 7. The Council is concerned by the slow progress in implementation of the property laws by authorities in the Federation, which required the High Representative to extend the deadline for claims in the Federation. It calls on the High Representative to monitor closely the implementation of the property laws in both Entities, and to ensure that donors are informed of progress to assist them in making funding decisions.

7. Education: The Council remains convinced that a system of education which respects the rights of all children and promotes tolerance and reconciliation is an essential component of a stable multi-ethnic Bosnia and Herzegovina, as well as being vital to return. A public school system, in which all of the children of Bosnia and Herzegovina can receive an education free of bias, coercion and discrimination, will encourage the return of minority families with school age children. Schools, teachers, curricula and textbooks must foster integration and respect for all the people of Bosnia and Herzegovina. The Council urges the BiH authorities to accelerate efforts to remove bias from textbooks and curricula and to develop a core curriculum which will enable the children from each community to value all of the cultures of Bosnia and Herzegovina. The Council calls upon the members of the international community to provide increased human and material assistance to efforts which advance these objectives, both directly and through international organisations which are helping develop the educational system. The Council calls upon the Office of the High Representative to co-ordinate these international efforts.

The Council :

- calls on the BiH authorities to improve their co-operation towards this end, and welcomes the High Representative's support to the efforts of UNESCO, the Council of Europe and others;

- expects full co-operation of the Education Ministers of both Entities with the agreement on the removal of offensive materials from textbooks;

- calls for a commitment by the Entity authorities to the development of curricula in both Entities which meet international standards and contribute to tolerance and stability.

8. Addressing discrimination in all its forms, including promoting gender equality, must be an integral component of all reform efforts and legislative change.

The Council calls for:

- a systematic review of current and proposed labour legislation to incorporate non-discrimination principles , and measures to prevent and eliminate discrimination in the field of employment;

- encouragement and support for political participation and representation of women at all levels of government, in parliament and in the judicial system.

9. The effective protection of human rights requires a strong and vigilant civil society, and efforts to contribute to its strengthening must be sustained, including the adoption of a legal framework which respects the independence of non-governmental organisations.

10. The Council:

- supports the development and implementation of a sound legal framework for civil society organisations, including the adoption of a draft Law on Associations and Foundations;

- supports development of the capacity of local human rights NGOs to ensure sustainability of human rights activities now undertaken by international organisations and the effective operation of local human rights NGOs, unimpeded by threats or intimidation by authorities.

11. Missing Persons and Exhumations: The Council welcomes the improved co-operation between the Entities in joint exhumations and the role played by the High Representative in co-ordinating this process, and strongly urges that this should continue. It also pays tributes to the efforts of NGOs involved, especially Physicians for Human Rights, the International Commission for Missing Persons, and of the ICRC.

-The BiH authorities undertake to strengthen their commitment to addressing the issue of missing persons and detainees unaccounted for and to ensure adequate resources for self-sustaining structures for tracing missing persons and carrying out exhumations.

- The authorities in both Entities as well as the joint institutions will lend their full support to the tracing process of the Working Group on Missing Persons chaired by the ICRC. The authorities will ensure that the representatives of the Parties in the Working Group receive full support from the Ministries of Justice, Interior and Defence as well as the Armed Forces in their efforts to ascertain the fate of the missing, including the granting of full access to all available sources of information and witnesses.

The Council:

- urges a stronger focus on the development of longer-term structures, to include better services to the families of the missing, more effective tracing mechanisms and inter-Entity forensic co-operation;

- calls for the establishment of mortuary facilities in BiH capable of accommodating bodies exhumed, and urges resources be made available for this purpose;

- calls for the training of BiH medical personnel in forensic medicine, to give BiH the capability to continue this work independently in the longer term.

12. Passports: According to Conclusions of the Bonn PIC and the Luxembourg meeting of the PIC Steering Board, all citizens of BiH should be in the possession of new travel documents according to the BiH Law on Travel Documents by 31 December 1998. The Council notes with dissatisfaction the slow and bureaucratic implementation of the law, in particular in the Federation and BiH Embassies abroad. To avoid disadvantages to individual passport holders, the Council agrees that ordinary oassports of the former RBiH should be further recognised before 30th of June 1999, in accordance with the decision of the BiH parliament on 8 December 1998. The Council warns the parties that the 30th of June 1999 would be the final cut-off date after which these passports would not be recognised any more by all PIC members. The Council hereby decides that old service and diplomatic passports of RBiH will not be considered as valid travel documents as from 31 December 1998.

The Council believes that BiH citizens should have the ability, should they so wish, to hold passports that confirm their BiH citizenship without imposing de facto differentiation by Entity.

The Council therefore requests that such a passport be established.

13. Freedom of movement: The Council commends the parties, the High Representative and the UNMIBH for the swift and efficient implementation of the new uniform licence plates and common vehicle registration document. It notes that this has dramatically improved freedom of movement.

Annex to the Madrid Declaration of the Peace Implementation Council

The Council:

- supports the High Representative's efforts to introduce a Common Driving Licence and calls for its implementation without delay. It endorses the intention of the High Representative to recommend to governments that, from 1 [illegible] 1999, they permit only citizens of Bosnia and Herzegovina carrying the new Common Driving Licence to drive across international borders.

14. Religious Reconciliation: The Council urges the authorities at all levels in BiH to demonstrate their commitment to reconciliation, including by facilitating the reconstruction of religious monuments and buildings, especially those of particular importance to respective faiths, without delay. The Council calls upon the Entities to implement the decisions of the Commission for National Monuments in BiH and to protect the monuments, ruins and sites inscribed by the Commission on the list of National Mouments.

15. War crimes and co-operation with the International Criminal Tribunal: The Council welcomes the transfer of indictees to The Hague, where 26 are now in custody. This has strengthened the peace implementation process. The Council remains convinced that all indictees, including Radovan Karadzic and Ratko Mladic, must be brought before the International Criminal Tribunal for the former Yugoslavia (ICTY), and calls upon the authorities of BiH and all relevant countries to co-operate fully with the ICTY to ensure this obligation is met.

The Council:

- calls upon all states concerned to abide by the relevant terms of UNSC 1207 (1998) and to cooperate with the ICTY as set out therein;

- condemns those governments that have failed to execute arrest warrants issued by the Tribunal and individuals who aid and abet indictees;

- welcomes progress made in Republika Srpska with the surrender of indictees and increased co-operation with the ICTY in the exercise of search warrants. It calls upon the new President of Republika Srpska to ensure that the obligations of Republika Srpska to co-operate fully with the Tribunal are met, and to promote the understanding of these obligations by all authorities and the general public;- demands full compliance with the Rules of the Road, and commits itself to ensure adequate funding for the ICTY Rules of the Road Unit to be established in the Office of the Prosecutor to enable it to review cases referred to it;

- insists on full compliance with international standards in national trials and calls on UNMIBH, OSCE and other organisations, co-ordinated by the High Representative, to ensure that proceedings against those accused of war crimes in the national courts are adequately monitored.

16. Police development and reform: The Council welcomes the signing of the Framework Agreement on Police Restructuring, Reform and Democratisation in the Republika Srpska (the Framework Agreement) between the authorities of Republika Srpska and UNMIBH on 9 December 1998, in keeping with the principles endorsed by the Ministerial meeting of the Steering Board in Luxembourg. The Council also welcomes efforts by the High Representative and UNMIBH to speed up implementation by Federation officials of their commitments as set out in the Bonn-Petersberg Agreement on Restructuring the Federation Police and subsequent

PIC Conclusions. The Council calls on the High Representative to use his authority to ensure compliance with obligations in co-operation with the parties.

The Council gives its full support to the High Representative and UNMIBH to increase their efforts in 1999 to build professional and multi-ethnic police forces in BiH by:

-urging the immediate implementation of all of the provisions of the Framework Agreement so that a transparent, professionally staffed and structured civilian police force, accountable to the public its serves, is established. The Council welcomes the phased introduction of minority police representation according to the benchmarks specified in the Framework Agreement;

-insisting that Republika Srpska co-operate fully with the standards and procedures for selection, training and certification of existing officers, as well as the recruitment, selection, training and certification of new officers, and demanding that the certification and training of the *existing* police officers be completed by 31 December 1999;

-insisting that the Cantonal Ministries comply fully with the instructions of the UNIPTF Commissioner to make recruitment and deployment of minority police a significant priority until the levels of minority police officers stipulated in the Bonn Petersberg Agreement on Restructuring of the Federation Police are met. In this regard, the Council welcomes the establishment and initial efforts of Working Groups on Minority Police Recruitment and Return in each Canton. To further these efforts, Cantonal Ministries of the Interior and the Federal Ministry should present to UNMIBH, by 28 February 1999, plans on how positions will be made available and how minorities will be recruited;

- working with the BiH authorities to build on the existing institution and establish a fully-functioning police academy in the Federation. A counterpart to this body should also be established in RS by 31 March 1999. Top priority should be given to the development of these academies as instruments for recruiting, training, and integrating minorities. Donors are encouraged to support these efforts;

-calling for the continued vigorous implementation of the mandate set forth in Security Council Resolution 1088 to investigate independently or assist with investigations into human rights abuses by law enforcement personnel. The Council welcomes the public reports issued on investigations carried out under the Resolution 1088 mandate, among them the reports on investigations into incidents in Teslic, Stolac, Drvar and Jajce;

- the Council requires that local authorities meet their obligation, in accordance with Security Council Resolution 1088, to comply with guidelines issued by the UN IPTF Commissioner, including prompt and effective action in regard to police officers identified by the UN IPTF as failing to co-operate with IPTF or adhering to democratic policing principles. In particular, the Council, while noting efforts by local authorities to develop more professional standards units, urges these officials to institute more effective police internal disciplinary proceedings, including criminal prosecutions against officers when charged;

-welcomes the determination of the UN IPTF Commissioner to apply strictly the IPTF's non-compliance reporting and certification procedures, to make robust use of his powers to decertify police officers who violate provisions of the GFAP and related documents. The Council understands that local police, IPTF and SFOR will regard any person exercising police powers in the restructured Federation and Republika Srpska police forces, but not registered or certified by

the IPTF, as a person not authorised to act as a police officer. Such persons may be disarmed and detained by SFOR under the terms of Annex 1A and in accordance with the Bonn Petersberg Agreement. The Council makes clear that decertified officers may be deprived of the right to serve in any public function in BiH;

-encouraging UN member states to support UNMIBH's efforts to enhance UN IPTF's capacity to perform an increasing number of mandated, specialised tasks. The Council calls upon UN member states to second experienced investigators to carry out investigations into human rights violations by law enforcement officials. The Council also calls on UN member states to second police personnel with enhanced qualifications to support UN IPTF's program of co-located police advisors, specialised training in major incident management, crowd control, and combating corruption, organised crime, and drugs, and its programmes to instil community policing practices;

- urging UN member states to contribute to the UN Police Assistance Trust Fund or provide IPTF-directed assistance bilaterally so that the UN IPTF can implement a building-block approach to training and equipping professional police forces; and reminding member states that development and reform of the police is dependent upon the provision of adequate funding for equipment and training;

- recognising that the low salary levels of police officers impede the establishment of professional police forces and noting the need for significant level international support for equipment and training. The Council encourages the Entities to develop a phased approach to improving pay standards for law enforcement officials;

- supporting the work of the High Representative and UNMIBH with the relevant local authorities to end the continued existence of parallel budgets in some Cantonal police forces and demanding that unified budgets be put in place immediately;

- endorsing the establishment of a BiH Border Service. See VI (11).

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III. INSTITUTIONS

1. Stronger common institutions: The common institutions are now established. But they do not work well, and co-operation with the Entities is poor. Making the common institutions effective, in the role set out for them in the GFAP, is a key task now.

2. The Council welcomes the attention which the High Representative has placed on this issue in recent months. Restructuring of the Council of Ministers is due to start imminently. The re-structuring of the Ministry of Foreign Affairs is underway, and the training of diplomats – for example at the Marshall Centre in Germany – has begun. The Presidency and the Council of Ministers now have a permanent home in the former Parliament building at Marijin Dvor. But more needs to be done.

3. In the coming year, the Council announces its full support for the High Representative's determination to strengthen the common institutions. It supports his intention to do this by working with the BiH authorities to:

- ensure that mechanisms for proper financing of State institutions are established and work effectively;

- back any initiative ensuring the smooth running of decision-making procedures within the Presidency of Bosnia and Herzegovina. It welcomes the efforts made by the Parties, in co-operation with the High Representative and OSCE, to develop draft legislation concerning succession to Presidency Members in case of vacancy;

-reform the operation, in accordance with its constitutional procedures, of the Council of Ministers in order to improve its ability to take decisions and implement them in a business-like and efficient fashion. This could best be achieved by extending the period of chairmanship,,by dividing the over-extended mandate of the Ministry of Civil Affairs by putting in place a ministry, or a limited number of other ministries/agencies, as appropriate - for example, legal affairs, transport and communications and a new finance ministry to include treasury functions;

- develop a greater degree of co-operation and consultation between the common institutions and the Entity authorities in order to ensure jurisdictional issues are properly resolved;

- promote proportional representation whenever the Federation and BiH Constitutions provide for indirect election of members of parliamentary assemblies, which the Council considers as a valuable contribution to fostering pluralism in BiH political life and applying sound democratic principles;

- further develop and improve the relationship between Bosniaks and Croats in the Federation by establishing the Federation Implementation Council as envisaged in the protocol of the Federation forum held in Washington on the 14 May 1996;

- create as soon as practicable a service to be responsible for guarding the common institutions. This force could also be used in diplomatic protection work, guarding embassies and other diplomatic and other premises;

- adopt a BiH law on the state Civil Service providing for the selection, management, career progression, compensation and social benefits of public employees in a such a way to foster professionalism and political independence;

- strengthen the Standing Committee on Military Matters (SCMM);

- expand use of the Marshall Centre and equivalent institutions for civil service training;

- create through the IMC a permanent system for regulation and control of the broadcasting sector with a fair, open and professional regulatory system for broadcast media throughout Bosnia and Herzegovina. This regulatory system is important to the development of a media market and the larger market economy.

4. The Council notes the lack of progress in setting up parliamentary services for the Parliamentary Assembly and the working committees of both Houses.

- The Council insists that both must be fully functioning at the Marijn Dvor building by 1 February 1999.

- The Council expects the Parliamentary Assembly to adopt all legislation brought into force on an interim basis thus far by the High Representative by 1 March 1999.

- The Council also expects the Parliamentary Assembly to take a decision on the National Anthem, choosing between the options developed by the Commission of local, independent experts.

5. BiH Constitutional Court: The Council is concerned about the financial situation of the BiH Constitutional Court. It notes that the 1998 BiH Budget did not provide for sufficient financial means for the Court and forced its President to urgently request a budget re-balancing to cover outstanding expenditures. So far, the Court has not been allocated any additional money. The Council considers that the Court's financial problems should be solved immediately through a more substantial allocation from the 1999 BiH budget that the Court should be entitled to dispose of without any interference by the Executive. Moreover, the Council stresses the need to establish an additional voluntary contribution fund to achieve a sound structural basis for the proper functioning of the Court.

6. Developing Entity Institutions: More effective institutions at the state level must be matched by effective institutions at the Entity level, playing to the full the role set out for them in the GFAP. The Council appeals for full commitment by the Entity authorities to building more effective state institutions.

The Council welcomes efforts in Republika Srpska to fight widespread corruption. It calls upon the Republika Srpska leadership to multiply its efforts to develop an independent, impartial and multi-ethnic judiciary and a professional multi-ethnic police force.

The Council calls upon the leaders of the Federation to fight resolutely against corruption and to increase efforts to build an independent judiciary. Federation level political forces should and could do much more to contribute to functioning administration on municipality level.

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The Council welcomes the establishment of UNIPTF's specialised training unit, created to increase the capacity of police to combat organised crime and corruption, as requested in the Bonn PIC conclusions.

7. Parallel Institutions : The Council reiterates that remaining parallel and para-constitutional institutions in the territory of the Federation are illegal and must be dismantled immediately. The Council invites the High Representative to report to the Steering Board on progress by 1 March 1999.

The Council is further concerned that, three years after Dayton, the Entities and the State have not gained full sovereignty over the territory, governance and economic functioning of BiH. The Council requests that the High Representative conduct a thorough review of the matter and report to the Steering Board with recommendations for action by 1 March 1999.

8. The Federation capital: The Council takes note of the proposal to make Mostar the capital of the Federation. But it will not endorse such a proposal until Mostar becomes a unified and open city and until the following conditions have been fulfilled:

- a truly unified city administration exists under one leadership with one budget, and operating effectively;
- voluntary return of displaced persons and refugees to and within the city and its surrounding areas, is properly underway and fully supported by the authorities; special attention is to be given to the Mostar return plan of April 1998;
- there is a sustainable high level of personal security and the authorities are fulfilling their responsibilities in preventing harassment and intimidation of minorities. In addition, those responsible for criminal acts of intimidation are being prosecuted;
- there is a sustainable, functioning, and independent Judiciary in the City of Mostar and Canton 7;
- there is demonstrable political support by all communities for the reconstruction of the old city, and no further destruction of cultural heritage;
- permanent offices have been established in the Central Zone for fully functioning joint institutions serving the city-municipality, the canton, and four federation ministries;
- any war crimes indictees in Mostar have been transferred to The Hague; and
- minority representatives fully participate in the six Mostar city-municipality administrations in accordance with existing agreements.

9. Compatibility of Entity Constitutions and the BiH Constitution: In relation to matters pertaining to the constitutional structure of the Entities, their mutual relations and their relations with the common institutions of Bosnia and Herzegovina, the Council expresses its full support to the Constitutional Court of Bosnia and Herzegovina in its ongoing task of revising the compatibility of a number of aspects of the Entities' constitutions.

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IV. SELF-SUSTAINING ECONOMY

Economic Reconstruction and Reform

1. The war all but destroyed the BiH economy. Since then, it has been assisted by billions of dollars provided by the international community. This was inevitable and essential in the immediate post-war period. But that period is now at an end. BiH must start to stand on its own feet. The flow of donor assistance - unprecedented in its scope and scale - has reached its height, and will soon inevitably start to diminish. BiH and its leaders must make the most of what remains of this window of opportunity, and strive for a BiH that is ready for life with a reduced level of foreign aid.

2. The Council commends local authorities, the Council of Ministers and the Entities, for economic reforms and transition steps achieved in 1998. In particular the Council considers that the successful introduction of the stable KM has been a major achievement towards bringing macro economic stability throughout the country. This progress must be built upon in 1999 on the basis of the macro policy framework agreed under the Stand-by Arrangement with the IMF.

3. It is also essential for progress towards an efficient market economy that the Entities integrate more open and modern mechanisms within their economic institutions and markets to ensure a self-supporting economy. BiH's economy remains crippled by a bureaucratic mind-set and a statist system. Domestic equity is very limited and mostly restricted to trade activities. Foreign capital, which is necessary for the economy to take off, will not come before a set of drastic reforms have been completed, including a transparent privatisation of enterprises and banks. The establishment of the rule of law and an independent judiciary is also a *sine qua non* of a free market economy. All these reforms should be in line with the European Union standards and practices.

4. Sustainable economic growth is essential to political stability. Normalisation of Bosnia and Herzegovina's economic relations with its neighbours and the region as a whole is essential to building sustainable trade and investment links to the larger global economy. Bosnia and Herzegovina must commit itself to free-market principles, it must be prepared to harmonise its trade and investment regimes, laws, and institutions to international standards, to begin the process of accession to the World Trade Organisation, and to become a signatory to all other generally-accepted international codes, conventions, and treaties that facilitate trade and investment.

Reconstruction and donors co-ordination

5. The Council invites donors to complete the four year reconstruction program in 1999 by sufficient allocations at the next Donors' Conference, due in the beginning of 1999. While it acknowledges the need to continue the physical reconstruction of infrastructure at all levels, the Council wishes to see additional international funds used in support of the political and economic priorities proposed by the High Representative and endorsed by the Council or the PIC Steering Board.

6. The Council stresses that reforms in all sectors of the country must gain further momentum. The reform programme supported by the Council needs to receive appropriate funding. Therefore the Council asks the World Bank and the European Union to stress at the next donors' conference the importance of funding:

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- structural reforms in the economic sector;
- structural reforms of institutions and civil society (including police, judiciary, media and military);
- the return of displaced persons and refugees;
- the strengthening of the Common Institutions.

7. The Council is concerned that the High Representative is not in a position to respond swiftly and urgently enough to unforeseen financial needs arising from sudden political developments on the ground, without having to refer back to capitals. The Council requests donors to seek for more flexibility in their programmes. In particular, the Council:

- encourages the High Representative to continue, through the Economic Task Force (ETF) to integrate economic aspects of peace implementation, and asks ETF members further to co-ordinate and plan their programmes. It welcomes in this respect the existing co-operation between the High Representative and the International Management Group and calls for a further strengthening of that co-operation;
- encourages the High Representative to invite the major donors to meet quarterly to review their assistance programmes, in order to share information, evaluate progress and, if necessary, suggest mid-course corrections in the direction or implementation;
- urges donors to undertake to ensure adequate funds are available to the High Representative to support initiatives in response to situations involving urgent action.

8. The Council calls on donors to apply strict conditionality in the allocation of their funds as discussed in the ETF under the chairmanship of the High Representative.

9. The Council calls on donors to provide the necessary means to help with the establishment of new bodies, such as the Bosnia and Herzegovina Statistics Agency, the Telecommunication Agency or Mostar Airport Authority, and to complement these bodies' own budgets or funding.

Privatisation of enterprises and banks

10. The Council expects the Entities to carry out a rapid transition to a free-market economy, focusing, above all, on enterprise and bank privatisation. The Council calls on the High Representative to use his authority to achieve these economic reform objectives. It encourages donors to tailor their contributions to match progress in implementation to support the decisions of the High Representative.

The Council demands:

- that political parties immediately separate themselves from direct or indirect relationships to state-controlled enterprises and calls on the High Representative to take appropriate steps to ensure a privatisation process free from political interference;
- that an end is put to political obstructionism in the implementation of privatisation;
- that the Entities take all necessary steps to implement the privatisation of enterprises and banks in conformity with the State Law.

11. The Council welcomes the establishment of the Privatisation Monitoring Commission. It urges the High Representative to take appropriate action as proposed by the Commission or as he

deems necessary to expedite the privatisation process in a fair way. The Council requests the Entities to co-operate fully with the Commission.

12. Concerning privatisation of enterprises, the Council demands that in 1999, the privatisation of small scale enterprises be completed and privatisation of large enterprises be set firmly in train. The Entities will:

- by 28 February 1999, bring in line their legislation with the State Law, in particular the eligibility criteria for issuance of vouchers;
- fully inform, through a public education campaign, all potential beneficiaries of vouchers, including displaced persons and refugees, of their rights;
- establish immediately mechanisms for inter entity co-operation, including a common data base;
- pass and implement all laws essential in a market economy, including the adoption of the Enterprise law by 31 March 1999, and the adoption of Labour and Foreign Investment Laws by 31 May 1999. EU standards and experience should serve as guidance in this area;
- adopt and publish a strategy for industrial development, which creates the conditions in which new industries can emerge in the private sector and which would facilitate restructuring of declining sectors.

The Council also calls on the donor community adequately to fund the technical assistance necessary for privatisation to be carried out in a timely manner.

13. Privatisation of the banking sector is prerequisite for creating an attractive environment for foreign and domestic investment. The Council welcomes progress achieved so far and urges rapid progress in setting up the Deposit Insurance Agency and liquidating insolvent banks in both Entities.

14. The Council calls for the convocation by April 1999 of a country-wide conference on private sector development, to be co-hosted by the BiH authorities, the EU, World Bank, IMF, USAID, EBRD and other donors and with the participation of BiH private sector representatives.

15. The Council commends the Entities on their fruitful mutual co-operation, in particular in customs administration and tax matters, and looks forward to their reinforcing it in the future.

16. As part of the process of strengthening the common institutions and making them more effective, the BiH authorities will:

- adopt, by September 1999, a Law creating a Supreme Audit Institution;
- establish, by June 1999, a Treasury as a part of the proposed Ministry of Finance;
- ensure proper implementation of the Foreign Trade, Foreign Investment and Customs Laws, including establishing, by 1 March 1999, a mechanism to monitor implementation of the Law on Customs Policy of Bosnia and Herzegovina.

17. For the immediate future, the Council attaches great importance to the creation of a single economic space within the territory of Bosnia and Herzegovina. The Council reminds the Entities of the need immediately to cease customs practices giving custom duty exemptions to imported commodities in contradiction to the BiH tariff law. The Entities should also further harmonise their legislation taxation, labour and capital markets laws.

18. The Council emphasises the need to ensure better governance and full transparency in public finances. To that effect the Council urges the Entities:

- to co-operate fully and without reservation with the international community on a comprehensive and coherent structural reform of the payments bureaus. The reform must cover the payments clearing functions, the treasury functions, information and accounts for tax compliance and other key aspects. Detailed functional and financial audits of the payment system should begin in January 1999 and be completed by June 1999. A detailed and final plan for the reform of the payment system and a timetable for the implementation of this plan will be prepared and agreed upon with the international community by June 1999. The implementation of the entire reform program will be completed by 31 December 2000. This will coincide with the abolition of the present payment bureaus by that date;

- to reinforce transparency, accountability and auditing. A work plan to carry this out must be finalised between each Entity, the High Representative, the IMF and the World Bank and other relevant agencies before 1 March 1999. In particular each Entity shall establish during 1999 a Treasury and a Supreme Audit Institution; parliamentary commissions should be formed in 1999, at the Entity and State level, with the obligation to review the reports of the Supreme Audit Institutions;

- in the Federation, to ensure a unified budget, customs administration and payment system immediately, and full financial accountability of the telecommunications and power companies by 1 March 1999.

The Council requires that the BiH telephone code 387 be used by all telecommunication operators for incoming and outgoing international calls before 1 February 1999.

19. The Council emphasises the need for adequate social protection. It urged the Entities to:

- develop, in co-operation with donors, a strategy to fight poverty, including social protection for vulnerable elements of society by September 1999;

- agree with donors by mid-1999, and implement, starting in September 1999, comprehensive reform of the pension and health systems based on the principles of efficiency, financial sustainability and maximum provision for private participation, and taking account of the need for the systems to offer equal and fair treatment on a non-ethnic basis.

Public Utilities and Implementation of Annex 9:

20. The re-organisation of Public Utilities is of prime importance for the economy. It must be carried out in a way which respects both the economic integrity of the country and the division of responsibilities under the Peace Agreement. The Council notes in this respect that Public Utilities companies still have to be reconstituted in the Federation. The Council notes however with satisfaction encouraging progress achieved in the railways and telecommunication sectors and fully supports the work now being done in the field of power transmission. The Council welcomes the decision on the establishment of a Joint Electric Transmission centre and requests the parties to work further on joint facilities in that sector. Similarly, restructuring must start in the postal sector, which must be separated from the telecommunication activities. Donors are invited to provide technical assistance and equipment in the postal sector.

21. The Council calls on the common institutions to adopt:

- the Civil Aviation act by 28 February 1999;
- the State Law on Transportation, by 31 March 1999;
- the State Law on Electricity, by 30 June 1999;
- the State Law on Postal Services, by 30 June 1999

and to implement them immediately.

22. The Entities must adopt corresponding legislation in accordance with the State Legislation before 30 September 1999. The establishment of a regulatory body and a regulatory framework in conformity with the Peace Agreement are required for any substantial development of public utilities, and for their subsequent privatisation. In particular the Entities must, in the fields of telecommunications, electric power generation and retail distribution adopt appropriate regulatory regimes, clarify ownership and legal structure (June 1999) and devise privatisation plans (October 1999) so that privatisation can be initiated in the following year. The Entities must pass legislation, including laws on concessions, in order to regulate the activities of private operators performing public services.

23. The Council requests the Entities and the Commission on Public Corporations to activate the Transportation Corporation established by Annex 9 of the GFAP before 30 April 1999, and to take whatever measures are necessary so that the Railway Public Corporation functions properly.

24. The Council requests further implementation of Annex 9. It requests the Commission on Public Corporations to consider actively and propose to the governments of the Entities the creation of additional public corporations as necessary, and urges those governments to implement the Commission's recommendations. Joint Public Corporations are particularly needed in the fields where close co-operation or common management of infrastructure are necessary in order to achieve co-ordination, harmonisation or economic efficiency. This is the case for all sectors which have a country-wide component, such as transport infrastructure (including roads), telecommunications, energy, broadcast transmission or post.

25. In the event of failure to proceed as stated above, the High Representative should continue to ask international bodies, such as the UIC, ITU, UPU, UCPTE and others, not to recognise the credentials of the representatives of Bosnia and Herzegovina in those organisations.

26. The Council reminds the Entities that they were required under Article III (5) (b) of Annex 4 to the GFAP to negotiate the transfer to the Institutions of Bosnia and Herzegovina of matters relating to the utilisation of energy resources or other co-operative projects. The governments of the Entities are urged to proceed accordingly by June 30, 1999.

27. The Council urges the Parties to refrain from the establishment of any obstacle to trade between the territory of the two Entities, allowing for free and unrestricted circulation of goods, capitals, services and persons all over Bosnia and Herzegovina. Any existing obstacle to such a free circulation, including those consisting of the establishment of additional administrative requirements, should be promptly removed.

Corruption, fraud and fiscal evasion:

28. The Council expresses deep concern about continuing corruption and evasion of public funds. It welcomes the High Representative's development of a comprehensive anti-corruption strategy which will be presented to the Steering Board in early 1999. The strategy will provide the framework necessary to identify, develop and implement changes in the structure and procedures of government, to significantly reduce corrupt activities and to establish a public awareness program. The strategy will contain specific action plans identifying the international organisations and local agencies responsible for implementation, as well as timelines. The High Representative will take the lead in co-ordinating International Community efforts aimed at eliminating opportunities for corruption, tax evasion and diversion of public revenue; ensuring transparency in all phases of governmental operations; strengthening the legal system and the judiciary; and implementing control mechanisms with appropriate penalties to ensure compliance. A key component of the strategy will be to develop a public awareness campaign to educate citizens about the deleterious effects of corruption on their own lives and on society. The Council emphasises again that it will not allow the impact of funds expended by donors to be diminished by corruption and fiscal evasion of domestic revenue.

29. To implement the anti-corruption strategy efficiently and effectively, the Council welcomes the High Representative's intention to strengthen the Anti-Fraud Unit and the European Commission's intention to strengthen the Customs and Fiscal Assistance Office (CAFAO) programme. The Council recognises the successful efforts of the European Commission's CAFAO program in the customs field and welcomes its involvement in the area of indirect taxation. It calls upon the European Commission through its CAFAO programme, the OSCE, UNMIBH and other involved members of the International Community to work closely together under the co-ordination of the High Representative to combat corruption, organised crime, and other actions which divert public funds and undermine democratic institutions.

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V. DEMOCRATISATION

1. The Council welcomes the successful conduct of the 1998 general elections and the timely implementation of the results.

2. The Council recalls the decision of the Bonn PIC that until the election Law is adopted and in force and the Permanent Election Commission is established and operational, elections will be conducted under the supervision and authority of the Provisional Election Commission and its rules and regulations.

3. The Council welcomes the decision of the High Representative to establish a group of BiH experts, under his direction and in close co-ordination with the OSCE Head of Mission, and to seek the advice of international experts, to prepare a draft election law for submission to the BiH Parliamentary Assembly. The Council requests the High Representative to present a text as soon as possible to the Steering Board for political guidance.

4. In accordance with Annex 3 of the Peace Agreement, the Election Law should establish a Permanent Election Commission to conduct all future elections in BiH. This law should provide for elections in BiH to be conducted in a uniform manner by regulating State level elections and establishing principles for all other elections. The Permanent Election Commission will ensure that these principles are observed.

The Council encourages the establishment of the Permanent Election Commission in a manner that facilitates a smooth transition of authority from provisional to permanent structures, which will include the participation of international members during the transitional period.

5. To ensure that the provisions in the Entity laws are consistent with the provisions in the election law, the Council requires that the Entity elections laws are drafted in a similar manner and adopted by the relevant Entity legislative bodies.

6. The Council considers that the Election Law must be consistent with the relevant provisions of Annexes 3, 4 and 7 of the Peace Agreements. The Council agrees that the principles of the Election Law should:

- promote the concept of a multi-ethnic state;
- promote the respect of democratic principles by candidates, elected representatives and political parties;
- establish the independence of the Election Commissions from political influence;
- encourage candidates, parties and coalitions to seek a broad base of support amongst all citizens of Bosnia and Herzegovina;
- preserve the rights of refugees and displaced persons to vote in the municipalities of their pre-war homes;
- favour political pluralism;
- reinforce the accountability of the elected representative to the electorate and to all citizens of Bosnia and Herzegovina;

7. The Council welcomes the work of the IMC and OSCE in creating permanent election rules for the media.

8. The Council requests the OSCE to develop a public outreach programme to introduce the permanent election law and aid in its passage through the BiH Parliamentary Assembly.

9. The Council welcomes preparations by the OSCE to transfer responsibility to state institutions competent to conduct future elections in a transparent and responsible manner.

10. The Council calls upon the OSCE to assist the state authorities in establishing a permanent voters' register and secretariat for the Permanent Election Commission and to provide technical assistance and training for a multi-ethnic core of election administrators and professional civil servants capable of conducting future elections in line with European standards.

11. The Council understands that the OSCE will provide continued supervision of the next municipal elections planned for November 1999, to the extent deemed necessary, while simultaneously assisting the transfer of responsibility for the conduct of future elections to the State institutions.

12. The Council requests the High Representative and the OSCE draw up a plan to use in the period prior to the next municipal elections to promote voter empowerment by:

- increasing efforts to provide relevant information to refugee voters residing outside BiH;
- expanding programs designed to encourage national non-governmental organisations and civic organisations to participate as election monitors and disseminators of voter information;
- developing public education programmes that emphasise the accountability of elected officials to the voters who elected them; and
- expanding services to disabled voters.

13. The Council requests the OSCE to oversee the implementation of the next municipal results, using the model approved at Sintra, which was largely successful in implementing the 1997 election results.

14. Municipal Government: The Council welcomes the general progress in the functioning of multi-ethnic authorities following the 1997 municipal elections. It notes however with concern that progress is far too slow in many areas, and in a few municipalities joint authorities are barely functioning. The Council:

- calls upon authorities at all levels to increase focus and attention on resolving local governance problems;
- supports ongoing efforts of the OSCE and OHR to apply sanctions in cases of non-compliance;
- supports the withholding of international economic assistance from municipalities which have had their Final Certification withdrawn by the OSCE.

15. Srebrenica: The Council, while noting the efforts of the Interim Executive Board, expresses its profound disappointment that the results of the 1997 municipal elections have not been implemented in the Srebrenica municipality. The Council notes recent efforts of the authorities of the Republika Srpska to resolve this matter, and insists upon the immediate formation of a multi-ethnic authority in Srebrenica in accordance with the 1997 election results. The Council

invites the High Representative and the OSCE Head of Mission to make recommendations to the PIC Steering Board if this is not achieved by 31 January 1999.

16. The Council calls for political parties to be accountable to the public and to adopt internal democratic procedures and the financing of political parties to be regulated in a transparent manner in the election law.

17. Dual Citizenship: The Council calls upon Bosnia and Herzegovina to conclude bilateral citizenship agreements particularly with neighboring countries, which shall address, *inter alia*, voting rights.

The urgency of this matter is reflected in the BiH Citizenship Law which requires that the BiH Council of Ministers proposes to the Presidency to conclude bilateral agreements with neighboring countries by July 1, 1998. The Council urges the relevant BiH Governmental authorities to conclude such agreements, with the High Representative's assistance, as soon as possible, but no later than by June 30, 1999.

Media Reform

18. A politically-controlled media helped to start the war. A free and open media will help to keep the peace. Media reform is therefore vital to the creation of a self-sustaining peace.

19. The Council regards the successful development of a more pluralistic media in BiH as one of the most encouraging developments of the last year. Political control of the media in both entities has been dramatically reduced; and the creation of an open, free media environment based on professional journalistic standards is well underway.

20. The Council warmly congratulates the High Representative for the pivotal role he has played in this process, by driving through reforms which have removed direct political control of the main television networks and prepared the ground for genuine public service broadcasting. The Council also congratulates the OSCE for its role in this process through the efforts of the Media Experts Commission (MEC) over the last two years. The Council welcomes the successful establishment of the Independent Media Commission (IMC), in accordance with the Bonn PIC Conclusions, and subsequent deliberations and rulings issued by the IMC. The Council recognises the authority of the IMC to impose sanctions, ranging from warnings to the closing down of broadcasters, in accordance with the IMC Broadcasting Code of Practice.

The Council calls on member states to fully support the transfer of MEC responsibilities from the OSCE to the IMC and to provide appropriate financial, technical and personnel support.

21. The Council supports the reform of public broadcasting pursued by the High Representative. In 1999, it calls for:

- the adoption of legislation in both Entities which enshrines the principles of editorial independence, religious tolerance and financial transparency in all media sponsored by public funds. Such legislation must contain provisions designed to prevent any political party from exerting significant control over public broadcasting and to ensure public broadcasters attempt to address the interests of all the constituent peoples in current affairs programming;

- establishment of a joint inter-Entity Annex 9 Public Corporation for Broadcasting and Transmission incorporating the public transmission and relay systems in both Entities.

22. The Council believes that a robust public broadcasting sector is an important element of democratic development. It calls for donor governments to continue to provide assistance and expertise towards this goal. But the Council believes that the authorities in both Entities must bear the primary responsibility for subsidising public broadcasting in a transparent manner through permanent funding mechanisms, and urges them to fulfil this responsibility.

23. The Council considers the work of the IMC crucial for building a legal foundation for the media in line with best international practice. It calls on Entity, cantonal and municipal governments to co-operate with the IMC and to provide information required by the commission as it builds a transparent licensing procedure for broadcasters.

24. The Council supports the role of the IMC, together with the Council of Europe, in shaping media legislation in BiH, including the review of existing legislation, in full consultation with media professionals, with the aim of upholding and protecting media freedom and the public's right to know. It welcomes the IMC's decision in September regarding the activities of Croatian Radio Television (HRT) in BiH and acknowledges the key work of the OSCE and the MEC in this area.

The Council:

- requires all authorities in BiH to respect and uphold media freedom;
- supports efforts by the High Representative, the OSCE and the IMC to protect and promote media freedom;
- affirms the IMC's responsibility for the organisation of the frequency spectrum, including the assignment of broadcast frequencies, and the need for the bodies set up under the Telecommunications Law to co-operate with it;
- calls for the adoption of Freedom of Information legislation in BiH which would grant the public the right of access to information held by governmental authorities;
- calls for the establishment of an integrated Federation television network fully enfranchising all communities and supported by transparent funding. The High Representative shall appoint an international supervisor to oversee the establishment of the network;
- demands that Croatian Radio Television (HRT) in Croatia and Radio Television Serbia (RTS) in FRY respect international norms of broadcasting, the laws of BiH and the IMC Code of Practise and subsequent rulings. Any access to the media market in BiH must be arranged through proper business agreements in line with BiH law. The Council reminds signatories of the Peace Agreement that the High Representative retains the authority to curtail or suspend any media within BiH which threatens the implementation of the Peace Agreement;

- supports efforts by the IMC and the OSCE, in consultation with the High Representative, to draft clear electoral rules requiring the media to offer equitable access to political parties and candidates;

- requests the IMC to announce by the end of 1999 a tentative date after which its international supervisory element would be withdrawn as foreseen in the Bonn PIC Conclusions.

25. The Council recognises that journalists' ethics and professional standards are mainly a matter for journalists and calls on the profession in BiH to become actively involved in the establishment of self-regulatory mechanisms. It:

- calls for an evaluation of the possibilities of establishing a Press Complaints Council or similar body which would be composed of journalists and respected citizens in BiH as well as one or more international representatives with legal or media expertise. The precise authority and composition of the Council shall be agreed following further discussions within the journalistic community under the auspices of the IMC and in consultation with the OSCE and the High Representative. The discussions begun in October 1998 by the main journalists associations of BiH under the auspices of the IMC should continue;

- also notes the need for co-ordination of work on the general legislative process in the creation of the supporting legal framework necessary to allow journalists to work professionally, independently and with security. In this regard, the Council refers specifically to judicial reform and the development of employment and labour law. The Council expresses concern regarding the detention of media representatives in BiH and calls for the adoption of legislation to protect journalists' freedom of expression and movement.

26. The Council believes that a stable peace must be built on the basis of reconciliation and co-existence among the constituent peoples of BiH. It therefore welcomes the High Representative's efforts to promote tolerance and to educate the public about the peace process through the public service information campaign. The Council calls on donors to provide continued support for a public service information campaign designed to promote tolerance and civic principles in BiH.

27. The Council believes international assistance for media outlets in BiH has been invaluable in the promotion of pluralism and in promoting dialogue and co-existence among the constituent peoples. Continued assistance will be vital to protect the progress made thus far and to extend press freedom outside of the main population centres. It calls for stricter criteria in allocating such future assistance, to ensure that funds are donated only to those media outlets which display a certain level of journalistic professionalism and, as much as possible, address the interests of all three constituent peoples, along with others. Recipients of assistance should be required to produce and implement commercial plans with the aim of creating self-sustaining media enterprises. The Council urges donor governments to focus assistance on training and education for journalists, including aid for permanent training centres recently established by the international community.

28. The Council is encouraged by the development of the Open Broadcast Network which has expanded its geographical coverage, increased the role of BiH management and delivered informed programming free of nationalist dogma. The Council calls for continued support by donor governments to OBN, which remains the only neutral cross-Entity broadcast network. This support will be vital in consolidating open and pluralistic media and should be sustained until such time as public service broadcasting is legally and financially secure and firmly established.

29. The Council supports the continued operation of Radio FERN and encourages donors to sustain financial assistance for the network until it becomes fully constituted within an appropriate indigenous BiH commercial or public service broadcasting structure.

30. Civil society - the vital role of the voluntary sector. The Council regards the development of civil society in BiH as a vital aim – both to promote the healing of the wounds of war, and to protect the peace. Civil society organisations are essential to a democratic society. Many of them have demonstrated their ability to work across communities and lines of division.

31. Further efforts are needed to make local NGOs and civic groups sustainable. The international community should support "train the trainers" programmes in the areas of citizen's participation and empowerment, peace-building, organisational development, gender awareness and human rights awareness. Foundations and endowments should be developed and supported in order to provide a more systematic and co-ordinated approach in strengthening civil society, and more resources should be targeted to neglected areas.

32. The Council acknowledges the important role of civil society as a balance to government structures. It encourages representatives of civil society to play an active role in advocacy and to hold public officials accountable for their actions. Charitable activity at individual initiative, rather than at the behest of the state, is a crucial component of a healthy society.

Annex to the Madrid Declaration of the Peace Implementation Council

VI. BOSNIA AND HERZEGOVINA WITHIN EUROPE

Destination Europe: Strategy towards the European institutions

1. BiH is a European country. Its citizens are Europeans. BiH's future lies in closer relations with Europe and Europe has a huge stake in BiH's well-being. The Council strongly believes that peace, economic and political reform, and stability will be reinforced in BiH by stronger links with the European institutions.

2. The Council urges BiH to make every effort to meet the entry criteria as the first step towards closer association with all of the European institutions. It pledges its assistance in helping BiH to do so. But it gives notice that the standards are high and will not be relaxed to secure admission. It is up to BiH to meet those standards. In the view of the Council there is no reason why, with sufficient effort, this should not be possible given sufficient political will. The pace of integration of BiH into European structures will be governed by its performance in implementing its Dayton obligations.

3. The Council of Europe: the Council urges the High Representative closely to monitor BiH's progress in meeting the criteria for membership of the Council of Europe. It stresses the need to ensure that BiH is in a position to meet these criteria as soon as possible, so that the High Representative is able to recommend to the Council of Europe that it decide on the issue of BiH accession. But to do so, BiH must move fast. There remains a great deal to be done. The necessary steps include:

- adoption of a Permanent Election Law;
- continued revision of legislation to ensure compliance with the European Convention on Human Rights;
- adoption of legislation to achieve a professional and independent prosecutorial and judicial system;
- full co-operation and compliance with Annex 7 in the implementation of the property laws by the authorities in both Entities;
- completion of police certification, establishment of a multi-ethnic, professional police and full compliance with UN IPTF decisions;
- continuation of reform of the media and development of media and broadcasting legislation consistent with European best practice;
- putting in place mechanisms to ensure full functioning of human rights institutions, including the enforcement of the decisions of the Human Rights Chamber and the Commission for Real Property Claims; full cooperation with and response to reports by the BiH Ombudsperson and Federation Ombudsmen; and the establishment of an RS Ombudsmen's Office in accordance with the Federation model.

4. European Union: The Council welcomes and supports the ongoing efforts by the European Union aiming at an intensification of relations between the EU and BiH, in accordance with the EU's regional approach and conditionality policies and with the EU's Declarations of 8 June and 7 September.

5. The Council expresses its satisfaction at the readiness of the European Union, as stated in its Declaration of 8 June, to establish closer and more intense relations with BiH and at the establishment of an EU/BiH Task Force, with the aim of helping BiH to become a fully-functioning State and to meet some of the technical prerequisites to closer co-operation with the European Union.

6. In addition to building on the implementation of this Declaration and on the work of the Task Force, the Council expresses the hope that in 1999:

- the European Union and BiH reinforce and make a more active use of the EU/BiH Consultative Task Force. The Council welcomes the fact that issues such as judicial reform, education, media, good government and economic reform have a priority in the work of this Task Force. The Council invites the BiH authorities to follow up the recommendations of the Task Force.

7. The Council welcomes the intention of the European Union to intensify the dialogue on political and economic issues with BiH in order to ensure the closest involvement of the European Union in civilian implementation of Dayton agreement, which will contribute to stability and cooperation in BiH and to bringing BiH closer to European standards.

Annex to the Madrid Declaration of the Peace Implementation Council

VII. MILITARY AND SECURITY ISSUES

1. Military/Security. The Council notes that military stability is now maintained throughout Bosnia and Herzegovina, and welcomes the continued compliance of the Entity Armed Forces with the military provisions of the GFAP.

2. The Council also notes that both Entities have met in full their obligations with regard to equipment limited by the Agreement; a permanent exchange of liaison missions has been established between the Entity army headquarters; and some, albeit superficial and inadequate progress has been made towards integration within the armed forces of the Federation.

3. The Council applauds the successful and productive involvement of the Entity Armed Forces in the de-mining program, and supports further expansion of this activity.

4. The Council records its disappointment, however, that hesitation and delay still hamper implementation of the Agreement on confidence and security building measures (CSBM), and that, as a result, there has been a lack of real progress towards improving the level of co-operation and confidence between the Entity Armed Forces (and within the Federation army).

5. Despite the maintenance of military stability, the Council considers the future of defence policy in Bosnia and Herzegovina will determine whether the country enjoys a durable peace or continues to live under threat of war. It believes it important to do everything possible to minimise the instability that is inherent in having two - and in practice three - armies present in one country.

- The Council urges decisive action to build trust and co-operation between the Entity Armed Forces aimed at maintaining the unity, sovereignty and territorial integrity of BiH and in support of its foreign and security policy.
- The Council calls on the Presidency and the Entities to work during 1999 for the establishment of a common security policy leading progressively to a State dimension to defence. As a key part of this action, the SCMM will be strengthened.
- The Council firmly supports the Strategy prepared by the OSCE in respect of Article II CSBM. Furthermore, it urges the Parties to continue progress of arms control and confidence building in the Region, with a view to reaching a new agreement under Article V of Annex IB of the GFAP, as soon as possible.
- The Council welcomes the progress made in the OSCE with the recent agreement on a mandate for Article V negotiations. A successful negotiation between the twenty countries involved will do much to promote confidence in and around BiH. The Council urges the Entities to work together to cooperate on BiH's participation in Article V, given its importance as an instrument for lasting stability in the region.
- The Council is concerned at the increasing divergence in doctrine and training between the Entity Armed Forces, and urges the development during 1999 of plans for a training and development program common to all the armed forces of Bosnia and Herzegovina.

6. The Council believes that the security of the peoples of BiH depends not just on improved military coordination and cooperation within the country, but also in developing a closer relationship with relevant security institutions and organisations. To that end:

- The Council invites these institutions and organisations to build on existing security co-operation activities with BiH.

7. The Council requires immediate and full transparency in all aspects of external support to military forces:

- Croatia, the FRY or any other country, may only provide transparent, publicly accountable assistance to the Entity armed forces;
- Special Relations Agreements Annexes in the area of military cooperation must proceed on the basis of transparency of all funding and any other military assistance, operating through an accountable mechanism. All such external support should promote integration and cooperation among and between all elements of the armed forces in Bosnia and Herzegovina and should also conform with arms control limitations;
- The provision of such external support must be taken into account when determining overall defence expenditure in BiH. The scale and application of external funding for defence should be reviewed during 1999 and reduced over time, with a view to its eventual cessation.

8. The Council notes and welcomes the recent decision of the Republic of Croatia to make transparent its military contributions to the Federation. Without taking any position on the merits of such contributions, the Council urges the FRY and other donor nations, as well as the recipient entities of Bosnia and Herzegovina to undertake similar steps immediately to provide full disclosure to the Council of all sources of military funding before the next Ministerial meeting.

9. The Council remains deeply concerned at the high level of defence expenditure and at the lack of transparency in defence revenues and expenditures in both the Federation and in Republika Srpska. This situation is unacceptable in the face of competing priorities for economic reconstruction in both entities. Full transparency of all defence contributions and expenditures, budgetary and non-budgetary must be achieved in order to permit legislative bodies and the Council to make rational analyses of the security requirements and appropriate resource allocations.

- The Council requires the Entities to report to the High Representative on a semi-annual basis, using uniform criteria, on its progress towards meeting these targets. The Council notes that, in the event of these targets not being met, the Council will review the overall provision of assistance to the Entity concerned.

10. The Council welcomes the success that has been achieved towards creating a self-sustaining demining programme. It urges every effort to develop this in 1999, and welcomes the establishment of the Slovenian International Trust Fund for Demining and Mine Victims Assistance in BiH. It welcomes the efforts of all countries and organisations involved in demining. It urges other countries to join the International Trust Fund in implementing its goals.

11. The BiH Border Service. The Council regards the control of BiH borders as a matter of vital importance to the sovereignty of BiH, and to BiH's ability to be a reliable partner for other European countries and the international community as a whole. In accordance with Article IV (6) of the Bonn PIC Conclusions, the Council strongly endorses the proposal by the High

Representative to strengthen the policing and administration of BiH's international borders by the creation of a multi-ethnic BiH Border Service. The Border Service will be responsible for the integrity of BiH's borders and the manning of border posts. Trained to international standards, they will be charged with ensuring legal entry to and exit from BiH, safeguarding BiH against the infiltration of crime, including drug trafficking and illegal immigration, and upholding international commitments, such as sanctions – as well as assisting the customs authorities in their duties. The Council:

- urges the BiH authorities to move swiftly to set up the BiH Border Service, in co-operation with the High Representative and UNMIBH;

- pledges to support the BiH Border Service with start up funds and the provision of expert staff for training purposes at the request of the High Representative;

- calls for an initial contingent of the BiH Border Service to be operational at selected major border crossings by 1 October 1999.

12. The Council

- urges the High Representative, if necessary with the assistance of the UNIPTF and SFOR, within the limits of their mandates, to take measures as necessary to ensure that public officials co-operate with the establishment of the BiH Border Service.

13. Relations with Croatia and the FRY. The Council once more deplores the continuing failure of Bosnia and Herzegovina and the Federal Republic of Yugoslavia to establish unconditional diplomatic relations. The Council repeats its call upon Bosnia and Herzegovina and the Federal Republic of Yugoslavia to treat the opening of embassies in Belgrade and Sarajevo as a priority.

14. The Council welcomes the establishment of a joint Border Commission between the Republic of Croatia and BiH. Consistent with the decision taken by the Inter-State Council for Co-operation on 22 November, the Council urges both countries to refer any present or future border issues to this body for speedy resolution. The Council welcomes the positive role of the High Representative in facilitating this process.

15. The Council welcomes the Agreement between Croatia and BiH on the use of the port at Ploce and the Agreement between Croatia and the Federation of BiH on special relations. The Council expresses satisfaction that these Agreements are fully consistent with the Peace Agreement and the Constitutions of Bosnia and Herzegovina, the Federation of BiH and the Republic of Croatia as applicable. It welcomes the role played by the OHR and the United States in brokering these Agreements. The Council calls on the respective bodies of the parties thereto to approve these Agreements without delay. The Republic of Croatia and the Federation of BiH pledge to implement without delay the Agreement on Special Relations by developing the Annexes to this Agreement with transparency and to the mutual benefit of both parties.

VIII. BRCKO

1. The Council notes that the March 15 1998 Award stated that Republika Srpska needs to demonstrate "significant new achievements" regarding returns of former Brcko residents to their homes; unfettered freedom of movement; strong support for Brcko's multi-ethnic institutions; full cooperation with the Supervisor; and cooperation with efforts to conduct free and fair elections.

2. The Council also notes that the Award obligated the Federation to allow former Federation residents to return to their homes, particularly in Sarajevo. It commends the Brcko Supervisor for making significant progress in the area of multi-ethnic governance and reminds the governments of the Federation and Republika Srpska entities of the need for full compliance with the Supplemental Award and the Supervisor's Orders. The Council notes, in particular, the successful formation and ongoing operations of Brcko's multi-ethnic assembly, judiciary, police force, and administration and encourages the close co-operation of these bodies in the prevention and solving of criminal activity. It calls upon members of Brcko's municipal institution strictly to implement Brcko's Municipal Statute, including by allowing all members of the Executive Board to fully discharge their duties. It welcomes the Brcko municipal assembly's approval on October 6 of a plan to restructure the municipal Executive Board in order to improve its capacity to govern.

3. The Council notes with approval the peaceful, orderly, and phased return of over 1,230 minority families to their homes of origin in the Brcko area of supervision, from a total of over 4,380 families approved for return in the area. It welcomes the Supervisor's efforts to extend returns into the center of the city and, in particular, his pressing for the rapid return of non-Serb municipal officials, judges, and employees to their homes of origin, as called for in the Council's June 9 Declaration in Luxembourg. The Council expects Republika Srpska and Brcko authorities to cooperate fully in this effort. The Council further exhorts Republika Srpska and Brcko municipal authorities to move decisively to consolidate families illegally occupying more than one housing unit thus, in effect, blocking the return of former Brcko residents to their homes of origin.

4. The Council welcomes the funding commitments and development activities of the donor community in Brcko over the past year. The Council notes with concern, however, that these commitments fall far short of the level required to revitalize Brcko's economy, which is the Supervisor's central objective under the Supplemental Award. It urges the donor community, especially the large European lenders, to continue to recognise the special needs of Brcko.

5. The Council expects the authorities in BiH, including in the Entities, to respect and implement any further decision made by the Arbitrator in 1999.

Annex to the Madrid Declaration of the Peace Implementation Council

IX. SUCCESSION ISSUES

1. The Council, reconfirming the Declarations of the Sintra, Bonn and Luxembourg meetings on Succession Issues, has taken note, with appreciation, of the High Representative's report of 27 November 1998. The Council expresses its disappointment that the FRY has still not complied with the call made in the Bonn and Luxembourg Declarations for effective access to records and data relevant to the settlement of succession issues. The Council reaffirms the need for access to such information.

2. The Council, recognising that four of the successor States have already assumed their shares of the external liabilities of the former SFRY, regrets that agreement has not yet been reached even on a partial and interim distribution of its external assets. The Council invites its member States to consider ways in which those successor States might be enabled to gain access to appropriate shares of those external assets.

3. The Council requests the High Representative to submit in due course a report on the possibilities of having recourse to arbitration for those issues which in his judgement cannot be resolved by consensus.

4. The Council, bearing in mind the Declarations of the Sintra, Bonn and Luxembourg meetings, exhorts all the States to continue their co-operation with the Special Negotiator and to renew their efforts to resolve as soon as possible outstanding succession issues, and to that end to explore all possible means whereby early progress be made.

X: INTERNATIONAL SUPPORT FOR CIVILIAN IMPLEMENTATION

1. The High Representative. The Council underscores that the High Representative will require appropriate resources to carry out the mandate of the Declaration. The Council recommends prompt approval of the 1999 budget and calls on members of the PIC to commit the necessary increased resources. The Council also calls upon all of its members, especially the parties to the Dayton Peace Accords, to pay their overdue assessments immediately, and decides that the Steering Board should decide on appropriate action with regard to members who have thus far failed to meet their PIC obligations.

2. Funding for civilian implementation. The Council recognises that this programme implies considerable resources. It endorses the High Representative's endeavours to ensure that - to the maximum extent possible - those funds should increasingly be generated from within BiH. Many of the proposals outlined above will boost the revenue yield available to the BiH authorities, a further incentive for them to co-operate with the High Representative to bring them to fruition quickly. But in the interim, the Council undertakes to make its best endeavours to meet funding requests arising from activities endorsed at this Peace Implementation Council.

3. The Council emphasises its hope and expectation that the parties will co-operate fully in building peace in BiH. But the Council declares its full support to the High Representative in overcoming obstructions which he may encounter.

- The Council urges the High Representative to continue to use the authority conferred upon him, both to encourage progress in peace implementation, and to discourage obstruction.

4. It has examined what further steps might be taken to reinforce the ability of the High Representative to deliver on the work programme set out in this document – and fully to enforce the decisions which he takes.

- The Council announces its support for a much closer involvement of the High Representative in the allocation of aid and reconstruction projects in BiH. Precision targeted conditionality – or 'smart aid' - increases the opportunity to reward those leaders and communities which co-operate with civilian implementation, and to penalise those which do not. The Economic Task Force will take the lead role in recommending to the High Representative whether projects should proceed, be postponed or cancelled in the light of co-operation by the local authorities with civilian implementation.

The Council acknowledges that leaders whom the High Representative, as well as the Election Appeals Sub-Commission and the Provisional Elections Commission, bar from official office may also be barred from running in elections and from any other elective or appointive public office and from office within political parties until further notice. This should end the practice whereby officials removed are re-assigned to political party positions. Parties which fail to comply with rulings by the High Representative may face consequences including being banned from running in election campaigns. The Council expects equivalent provisions to be included in the Election Law.

6. SFOR support for civil implementation. The Council pays warm tribute to SFOR for its vital role in keeping the peace in BiH, a task which it carries out with great professionalism and dedication. SFOR's presence remains essential to maintain the safe and secure environment in which civilian implementation can proceed. It looks forward to this being sustained in the

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coming year. The Council places on record its gratitude to the troop-contributing nations, and to the individual men and women who have served or are serving with SFOR in the cause of peace. The people of BiH and the international community owe them an enormous debt.

The Council welcomes SFOR's support for civilian implementation. It encourages SFOR to play an active role in this regard in order to speed up progress in civilian implementation and enable BiH to achieve a self-sustaining peace as rapidly as possible. It especially highlights the priority to be given to refugee return in the coming year and the extent to which close co-operation between High Representative, the other civilian agencies and the active involvement of SFOR enables returns to take place. It notes that the High Representative will continue to rely on the support of SFOR in the implementation of his programme and looks forward to SFOR´s co-operation in this task to the maximum extent possible within its mandate. It urges SFOR contributing nations to give the Commander of SFOR the necessary operational authority over the deployment of their forces under his command within SFOR's mandate.

It particularly welcomes the successful deployment of the Multi-National Specialised Unit (MSU), commends its activities during 1998, and recommends that the deployment of such forces be continued.

7. The Council welcomes the support of UNMIBH in civilian implementation and urges UNMIBH, in particular UNIPTF, to work increasingly closely with the High Representative on police restructuring in coming months

8. The Council expresses its gratitude for the contining efforts of the UNHCR to promote return of refugees and displaced persons, in co-operation with the High Representative.

9. The Council welcomes the co-operation which the OSCE, and the EASC and the PEC have given to the High Representative. It fully supports the continuation of the practice whereby officials struck off by the High Representative are barred from running in elections.

10. The Council welcomes the efforts of the High Representative to improve inter-agency co-operation, and supports his initiative of an assessment, to be conducted by representatives of the Steering Board, of the civilian agencies engaged in peace implementation. It supports efforts to ensure optimal use of resources.

11. A greater degree of budget co-ordination and donor financial planning is required if the International Community is to sustain its financial commitment to Peace Implementation. In addition to the OHR and the Constitutional Court, various other agencies have been established under the GFAP. The Council requests that the High Representative report to the Steering Board as soon as possible on funding requirements for these institutions and agencies so that the Board can set priorities.

12. The Council calls upon member states to continue to provide the High Representative, as well as the other implementing agencies, with highly qualified and skilled personnel, deeply devoted to the high responsibility and challenging work in the interest of the people of Bosnia and Herzegovina and peace in Europe.

13. The Council expressed its gratitude to the High Representative and his staff, to the international organisations and non-governmental organisations and their staff, for their tireless efforts in building a lasting peace in BiH.